

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 2 — February 1986

Recent economic trends

*In this number:
Main features of the Spanish and
Portuguese economies on accession*

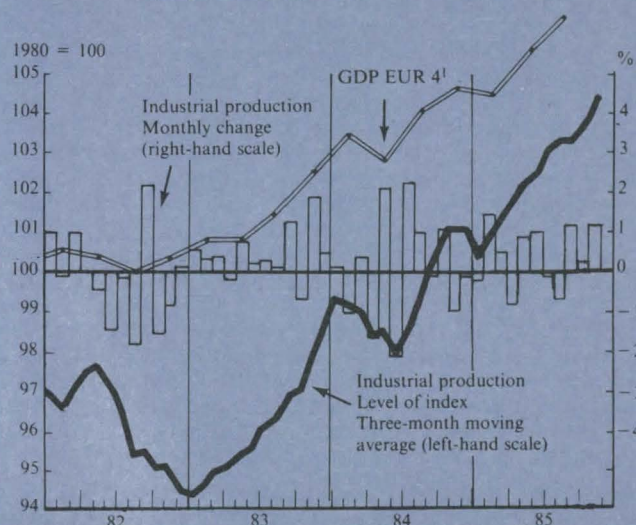
Strong performance of industrial production. — Between October and November 1985, industrial production in the Community (EUR 10)¹ is estimated to have grown by 1,2% (s.a.). Strong growth in the Netherlands (+7,9%), Italy (+3,5%), France (+2,2%) and continued expansion in the United Kingdom (+1,2%) and Germany (+0,6%) contributed to this result, whereas in Denmark, industrial output was 3,5% down on the previous month. In November 1985 the level of industrial production in the Community was 5,5% higher than a year earlier. Its trend rate of growth, as indicated by a three-months moving average, has been positive since March 1985. The November results reverse the slowing down observed until October and set industrial production back on a path of stronger growth.

Lower rate of unemployment. — The seasonally adjusted rate of unemployment in EUR 9 fell to 11,0% in December from the 11,1% observed in the three previous months. Although this represented the same rate of unemployment as a year earlier, the actual number unemployed then was somewhat lower. In December 1985 improvements in the rate of unemployment were observed in Denmark (where it fell to 7,7%), Germany (8,3%), France (10,1%) and the Netherlands (12,6%). It was unchanged for Italy (13,3%) and Luxembourg (1,5%), whereas higher rates of unemployment were reported in Belgium (12,7%), Ireland (17,9%) and the United Kingdom (12,1%). Taking 1985 as a whole, the average rate of unemployment in EUR 9 rose to 11,1% as compared with 10,9% in 1984 thus bringing the increase experienced over a number of years almost to a halt. Among the member countries Belgium (13,4% average rate of unemployment in 1985), Denmark (8,7%) and the Netherlands (13,2%) were able to reduce the number of unemployed quite substantially; the Belgian result was influenced however by a change in coverage of the figures during 1985. Ireland (17,6%) and Italy (12,9%) on the other hand were faced

with a higher level of unemployment in 1985 as compared to 1984. In other countries the picture was virtually unchanged.

Pause in the decline in inflation rates. — The index of consumer prices (EUR 12) increased by 0,3% in December after the 0,4% rise in November. On a seasonally adjusted basis the deceleration in inflation was less pronounced but the monthly rate in December (0,4% s.a.) was still markedly less than in the first half of the year. The trend rate of inflation (seasonally adjusted annual rate over six months), which has yet to reflect the significant fall in energy prices, moved up 0,2 percentage

GRAPH 1: Industrial production and gross domestic product (s.a.) — EUR total



(¹) France, Germany, Italy and UK: quarterly figures.

¹ In this publication EUR 12 represents the Community as a whole. EUR 10 figures exclude Spain and Portugal while EUR 9 also excludes Greece. EUR 4 is an aggregate of figures for Germany, France, Italy and the United Kingdom.

points to 4,4%. Decreasing inflation in France, Ireland, the Netherlands and Spain were more than compensated for by increasing rates of inflation in Greece and Portugal, together with marginal upward movements in the other countries. The degree of divergence in price changes within the Community, measured as the weighted standard deviation of inflation trends in each country, continued the increase which has been apparent since September (see Graph 2). This reflected the progressive movement of the Greek inflation trend above the Community average and a continued deceleration in the French price trend to a level which is now 1% below the Community average. The index of consumer prices in the Community in December was 5,7% higher than a year earlier with changes over twelve months ranging from 1,7% in the Netherlands to 25% in Greece.

Slight weakening in trade performance. — The steady improvement in the EUR 10 trade balance figures since March (three-month moving average, seasonally adjusted) was interrupted in October as the growth in imports outpaced that of exports by 1,3 percentage points. The accumulated trade deficit for EUR 10 over the first 10 months of the year stood at 15,4 billion ECUs, an improvement of 5,5 billion on the same period a year earlier.

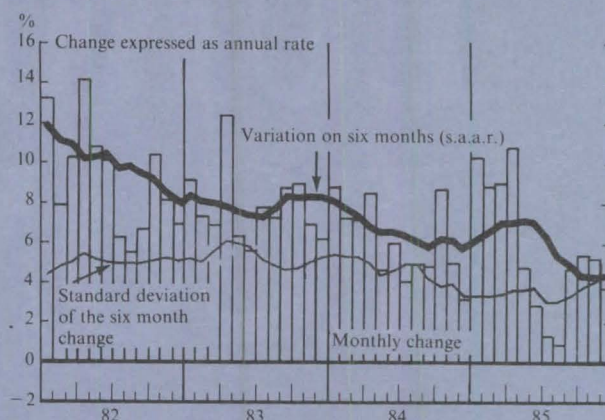
At an individual country level trade performance varied quite markedly. The Italian deficit, after the substantial decline registered in the third quarter, widened in October. Less pronounced adverse movements were registered in Belgium, Denmark and Ireland. The picture for France, the Netherlands and Greece remained more or less unchanged. In contrast, the German surplus widened and the United Kingdom's deficit fell. Provisional figures for November do however suggest some weakening in the position of the latter two countries.

Monetary growth slows down — As a Community average, monetary growth slowed in October to 0,6% compared with 1,1% in September (EUR 12, seasonally-adjusted figures). Six Member States—Denmark, Spain, France, Italy, Portugal and the United Kingdom—recorded a smaller increase in their money supply. But in France, the annualized growth of M2R exceeded the target range of 4%-6%. In Germany, the pace of money creation remained stable, while it accelerated in Greece, Ireland and the Netherlands, where the liquidity ratio climbed to new peaks. The first whole-year statistics available show that in Denmark M2 grew by 15,8% in 1985, less than the 1984 increase (17,8%); in Italy, too, M2 grew slightly less than the year before (10,9% compared with 12,1% in 1984) while the slowdown is even more marked in Ireland (5,3% compared with 10,1%). In Germany, M3 grew by 5% in 1985 compared with 4,7% in 1984, but Germany's central bank money stock, at an average level in the fourth quarter of 1985 which was four and a half percentage points up on the last quarter of 1984, remained within its target range of 3% to 5% growth. In Portugal, the liquidity of private residents (L-) increased by 28,8% in 1985 (23,9% in 1984).

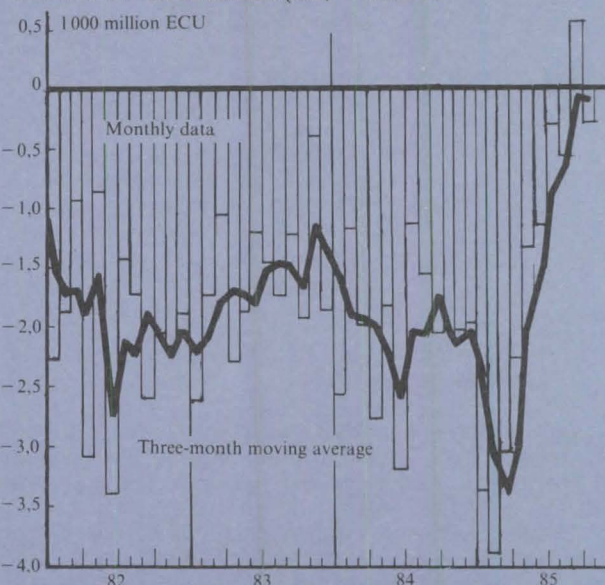
Short-term interest rates move in opposite directions. — In January, short-term interest rates moved in opposite directions in the Community. Money market rates fell in three Member States—Denmark, Germany and France—and remained stable in two others—Belgium and the Netherlands. However, the cost of short-term money rose, for the most part substantially, in four Member States: in Greece the three-month interbank rate, which had fallen in December, bounced back to 19% at the end of January; in Ireland, the three-month interbank rate climbed from 11,7% at the end of December to 15,1% at the end of January, in a movement encouraged by the authorities to support the Irish pound. The Italian money market rate firmed by 0,8 of a percentage point, following the measures decided in mid-January to tighten exchange and credit control and defend the lira. In the United Kingdom the interbank rate rose by one percentage point as sterling weakened. Averaged together, Community short-term interest rates again crossed the barrier of 10% to 10,1%, after averaging 9,9% in December; the United States Treasury Bill rate remained stable at 7,2% and the Japanese rate fell back markedly, following the half-point fall in the discount rate decided at the end of the month. In December average long-term rates remained unchanged (10,4%); their movements were generally limited in the Member States, except for a large rise in Greece and a significant fall in Denmark.

Continued rise of the ECU. — The strengthening of the ECU vis-à-vis the Dollar, the Yen and the Pound went on in January. The announcement of a wider than expected trade deficit and a slower than expected growth rate of real activity in the last quarter of 1985, in conjunction with the meeting of the Group

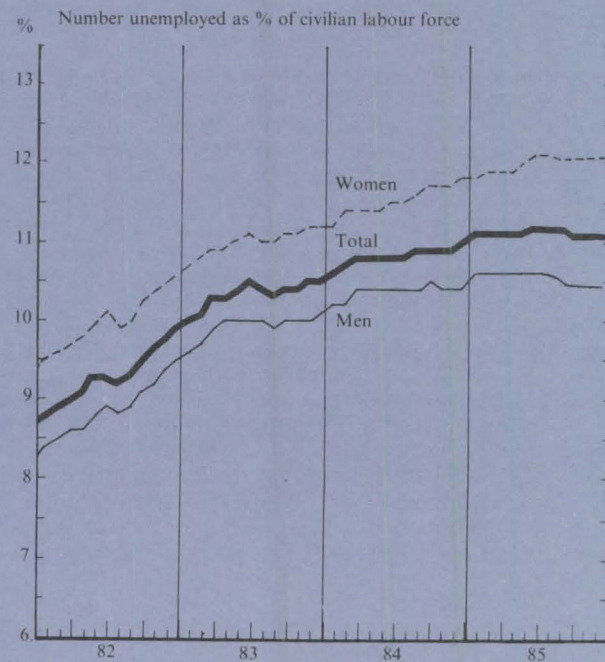
GRAPH 2: Consumer prices — EUR 10



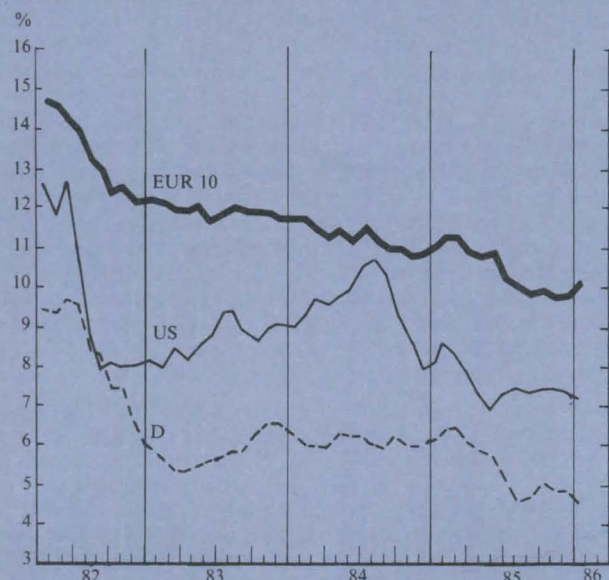
GRAPH 3: Trade balance (s.a.) — EUR 10



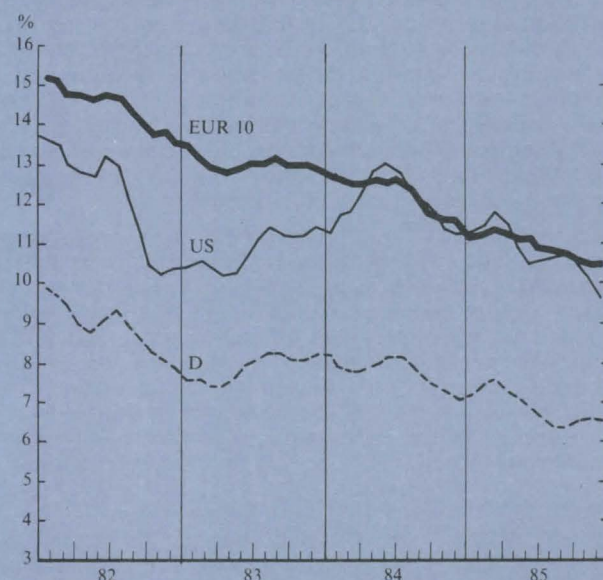
GRAPH 4: Unemployment (s.a.) — EUR 9



GRAPH 5: Short-term interest rates



GRAPH 6: Long-term interest rates



of Five in the second half of the month, led to a further easing of the dollar, two percentage points down from its December level. The smaller depreciation of the yen with regard to the ECU was influenced by the decision of the Japanese authorities to lower their discount rate. The pound depreciated another 3.5% in the wake of a renewed decline of oil prices, and the expectation of further reductions. As a result, it has lost almost 12 percent in the past six months. The tensions within the EMS which surfaced in December continued into January. The Belgian franc stayed close to the bottom of the fluctuation band whereas the Deutsch mark and the Dutch guilder remained strong. The Irish pound lost ground as it was negatively affected

by the weakness of sterling. Some intervention took place in favour of the French franc, helping this currency to maintain its position in the EMS. The depreciation of the lira at the beginning of the month was countered by a tightening of monetary policy and by the introduction of a scheme obliging exporters to make a prior foreign exchange deposit equal to 75 percent of anticipated export proceeds. The strengthening of the drachma, the escudo and the peseta in relation to the ECU, which started in October-November, was confirmed in January.

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Main features of the Spanish and Portuguese economies at the time of accession

Spain and the Community economy. — The economy weight of Spain in the Twelve is 8.7%¹, slightly greater than the three Benelux countries combined. Like the Community economy, Spain's economy has suffered a marked loss of dynamism since the first oil shock. The macroeconomic results have actually deteriorated more substantially than in the other Member States, notably as regards employment and the conditions governing equilibrium. Since 1982, however, implementation of a stabilization policy featuring monetary and budgetary policies which converge on the policies of the other Community countries, and action to moderate wage incomes, has permitted progress towards reducing inflation, an improvement to the balance of payments and a halt to the process of the destruction of employment.

After the world crisis broke in the early 1970s, the growth differential between Spain and the other European countries virtually disappeared. In the years 1961 to 1973, the volume of Spanish GDP had grown by 7.2% a year, compared with 4.6% for the Community of Ten. In the period 1974 to 1982 growth fell to 2.0% a year, i.e. to a rate slightly above the rate for all the member countries (+ 1.8%). However, in this period, because of the relatively rapid increase in the population, real per capita GDP will have grown by only 1% a year in Spain, compared with Community average of 1.5%. The parallelism between the

growth rates for overall activity was maintained during the recovery which started at the beginning of 1983. Between that year and 1985, the volume growth of GDP¹ averaged 2.1% a year in Spain and 1.8% in the Community. Overall, however, the gap between the levels of real per capita GDP in Spain and in the Community tended to widen, with the Spanish per capita product reaching only 69% of the Community level in 1983 compared with 74% in 1974.

The slowdown in economic growth, combined with the vigorous surge of wage costs, the marked deterioration in the performance of fixed investment and the delay in adjusting production structures, caused a very acute employment crisis in Spain. From 1974, when it stood at a record level, to 1982 employment declined by over 2 million persons and affected a further 470 000 persons or so in 1983-1985; the corresponding figures for the Community, where total employment is ten times as high, are 1.1 million and some 280 000 persons respectively. Whereas the slowdown in the flight from the land was only moderate, in industry and construction it diminished steadily. In 1984, the participation rate (the ratio of employment to population of working age) fell to 43.7%, the lowest level of all the industrialized countries. As early as 1978, the unemployment rate topped the Community average and in 1985 climbed above 22%, i.e. twice as high as the Member States as a whole. In addition, the length of time for which people remain unemployed and the

¹ At 1980 prices and purchasing power parities.

composition of unemployment by age and sex are still relatively unfavourable. Thus in 1984 the unemployment rate, for both men (19.6%) and women (25%) was the highest in Europe. Furthermore, the proportion of unemployment lasting twelve months and more (54.2% of the total) was greater than in the other Member States, with the exception of Belgium and the Netherlands. However, the deterioration of the employment market seems to have been halted in 1985: this reflects the combined impact of the improvement in the economic situation and the policy implemented in order to reduce social security charges and increase labour market flexibility.

Despite the relatively rapid improvement in the apparent productivity of labour, steadily mounting labour costs and the depreciation of the peseta went on fuelling the inflationary spiral by first widening and then maintaining a significant inflation differential between Spain and all the Member States. Since 1973 the Member States had experienced double-digit inflation for six years, returning to a single-digit rate as early as 1982: however, Spain has had an unbroken run of double-digit inflation (over 15% for eight years). The process of reducing inflation which began in 1982 was, however, continued and, as a result, it was possible to bring the rise in prices at the consumption stage down to under 10% for the first time in 1985. At the same time, mainly because of the wage moderation achieved under the October 1984 economic and social accord, company profits recovered, favouring a marked upturn in fixed investment.

The two oil shocks again called into question the equilibrium of the *current account balance* which was the dominant feature of the 1960s. The delay in adjusting policies domestically meant that the impact of the sharp increase in the cost of energy products was all the more severe. Also, the surplus on invisible transaction had tended to diminish since the start of the 1980s. The relative weakness of domestic demand and the buoyancy of manufacturers exports contributed to the recent improvement in the balance of payments on current account. This had been deeply in deficit in most of the years from 1973 to 1983, but achieved substantial surpluses in 1984 and 1985 (2.2% and 2.7% of GDP compared with deficits of the order of 2% of GDP in earlier years).

Portugal and the Community economy. — On the eve of its accession to the Community, Portugal, whose weight in the Community economy (1.5%)¹ is slightly less than that of Greece, was beginning to enjoy the first fruits of the stabilization drive embarked upon in 1983. This drive had become inevitable because the economy had, until then, not adjusted sufficiently to the two oil shocks and to specific problems stemming from the withdrawal from the colonies and the change in the country's political and economic structures.

As in Spain, the volume growth of gross domestic product, before the first oil shock, was far more rapid in Portugal than in the Community of Ten (6.9% and 4.6% respectively in 1961-1973). It then continued more slowly but was still relatively

pronounced (+2.9% a year in Portugal compared with 1.8% in the Community in 1974-1982). Even in terms of increase in per capita GDP, the results were slightly more favourable for Portugal than for the Community (growth of 1.7% a year in 1974-1982 compared with 1.5%). However, the persistence of this gap did not greatly improve Portugal's relative position in terms of per capita GDP¹ which stood at only 48% of the Community average in 1982 compared with 46% in 1974. In 1983 and 1984, domestic demand declined significantly in Portugal, as a result of restrictive monetary and budgetary policies adopted as part of a 'short-term emergency programme', and in contrast to the tendencies for recovery which were becoming evident in the Community. Despite soaring exports, the decline was reflected in negative volume GDP growth rates (-0.3% in 1983 and -1.7% in 1984). Because of the progressive relaxation of the restrictive policy and the halting of the fall in personal purchasing power, economic growth picked up again in 1985, possibly going as high as some 3% in volume.

Despite the slowdown in growth, *employment* probably went on improving slightly until 1981, and thereafter declined: this trend did not start to weaken until 1985. The unemployment rate rose sharply until 1977, as a result of the pressure of people returning from the former colonies. It then stabilized at around 8% until 1982 when it started to climb again, reaching its highest level in 1984 (10.5%) which is close to the Community average (10.9%). The incomplete data available for 1985 point to the beginnings of a turnaround in the tendencies for unemployment to spread in a country where hidden underemployment is appreciable and where labour market rigidities remain relatively severe.

The economy's great sensitivity to imported inflation, the effects of the policy pursued since 1977 of the crawling-peg devaluation of the escudo, the effect of the surge of wage costs observed until the start of the 1980s and the imperfections of the foodstuff distribution channels were reflected in a fairly poor *prices* performance. The divergence with the Community of Ten widened perceptibly after the first oil shock, the average rate of price increase at the consumption stage climbing to 21.5% in Portugal in 1974-1982, compared with 11.2% for the Community. After reaching a trend rate of close on 40% at the end of 1983, inflation has declined steadily to fall below 10% at the end of 1985. However, as an annual average, this still gave a 19.6% rise in consumer prices in 1983 (compared with 5.3% for the Community).

After being in constant surplus between 1966 and 1973, the Portuguese balance of payments on *current account* thereafter produced repeated deficits which resulted in growing indebtedness towards other countries. The external imbalance reflected inter alia the structural problems of both industry and agriculture, the very heavy dependence on imported energy, the losses due to the deterioration in the terms of trade and the decreasing importance of emigrants' remittances in the balance of payments. The deficits actually tended to increase in size climbing to almost 14.5% of GDP in 1982. Nevertheless, as a result of the restrictive policy implemented, the external deficit was progressively absorbed, and the provisional data for 1985 go so far as to show, for the first time since 1973, the formation of a slight surplus.

¹ At 1980 prices and purchasing power parities.

Principal macroeconomic aggregates: E, P, EUR 10

		1961/1973	1974/1982	1983	1984	1985
Total population (a)	E	1,0	1,0	0,8	0,6	0,6
	P	± 0	1,2	0,6	0,6	0,6
	EUR 10	0,8	0,3	0,1	0,1	0,1
Volume GDP (a)	E	7,2	2,0	2,2	2,3	1,9
	P	6,9	2,9	-0,3	-1,7	3,0
	EUR 10	4,6	1,8	1,0	2,2	2,2
GDP per person employed (a)	E	6,4	3,8	3,1	5,5	3,2
	P	7,4	3,0	-1,4	-0,4	3,2
	EUR 10	4,4	1,9	1,9	1,9	1,9
Unemployment rate (b)	E	2,7(e)	8,1	17,8	20,7	22,2
	P	2,5(e)	6,7	10,2	10,5	10,2
	EUR 10	2,2	5,6	10,3	10,9	11,0
Consumer prices (a)	E	6,7	17,1	12,1	11,0	8,7
	P	3,4	21,5	25,5	29,3	19,5
	EUR 10	4,5	11,2	7,6	6,2	5,3
Real labour costs per person employed (c)	E	7,2	3,6	1,6	-1,0	± 0
	P	7,7	3,4	-2,3	-5,3	± 0
	EUR 10	4,4	2,1	1,3	0,9	1,1
Balance of payments on current account (d)	E	-0,3(e)	-2,0	-1,6	2,2	2,7
	P	:	-7,8	-7,2	-2,1	0,5
	EUR 10	0,4	-0,4	0,1	0,1	0,5
General government borrowing requirement (d)	E	:	-1,6	-5,3	-4,8	(-5,0)
	P	:	-6,6	(-7,1)	(-7,7)	(-12,0)
	EUR 10	-0,6	-4,0	-5,5	-5,4	-5,2

: = not available.

(a) Annual percentage variation.

(b) Number of unemployed as a percentage of the labour force. E and P, national sources.

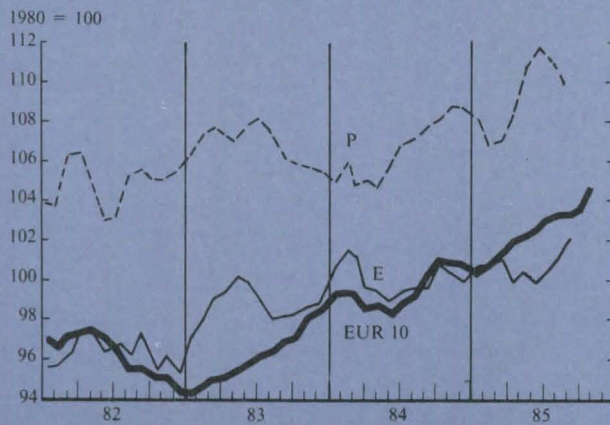
(c) Deflator: implicit price of GDP.

(d) As percentage of GDP.

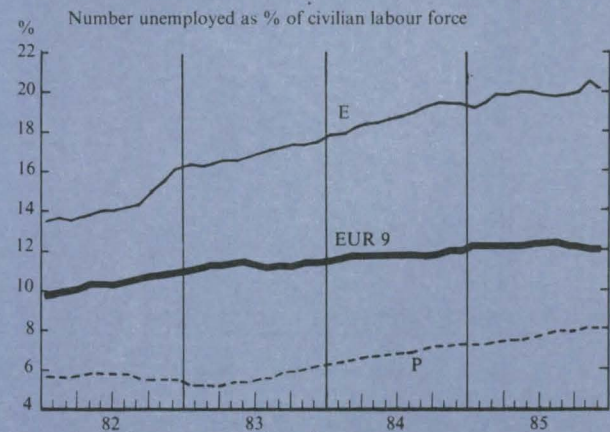
(e) 1964/1973.

Sources: Eurostat and Commission estimates.

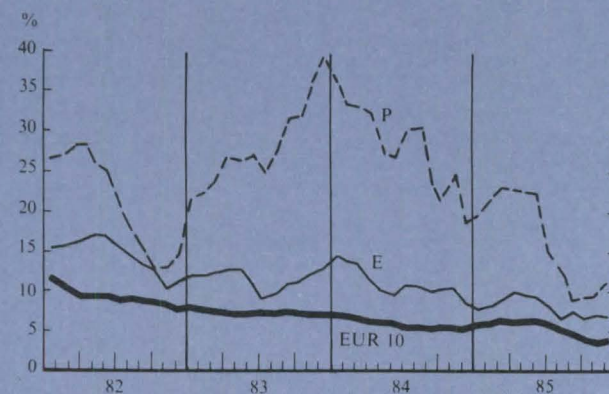
GRAPH 7: Industrial production (s.a.), E, P, EUR 10¹



GRAPH 8: Unemployment rate (s.a.), E, P, EUR 10



GRAPH 9: Consumer prices (s.a.), E, P, EUR 10¹



GRAPH 10: Trade balance (s.a.), E, P, EUR 10¹

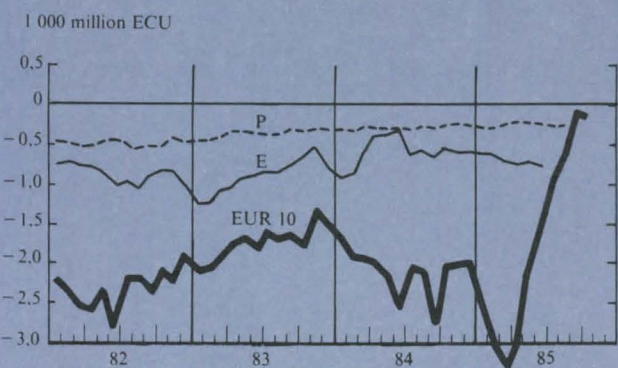


TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months % (b)
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B	1.3	-2.7	0	2.0	2.5	1.7	-0.5	0.1	1.5	-0.4	1.2	4.4	-4.3	-1.2	4.9	:	:	1.1
DK	0.2	0	2.7	3.2	9.7	2.4	5.1	-5.8	2.8	5.0	9.2	-2.8	1.9	2.0	1.8	4.1	-3.5	3.8
D	0.2	-1.9	-2.9	0.6	3.0	6.1	1.5	0.4	1.2	1.9	0.9	1.6	2.2	-3.0	0.5	2.9	0.6	5.9
GR	0.9	0.6	-4.2	-0.7	3.5	0.4	0	-1.4	1.8	5.3	5.7	-2.0	6.2	-3.7	3.2	-1.5	:	0.9
E	1.4	-2.4	-1.2	2.6	0.7	0.6	0.1	1.5	-1.3	2.1	0.7	-3.7	5.8	-1.1	-1.4	:	:	2.6
F	-0.7	-2.3	-1.5	0.8	2.3	3.1	-2.5	-0.8	1.0	1.5	1.5	-0.8	2.3	0	-2.2	1.5	2.2	4.3
IRL	0.8	2.2	0.3	6.5	12.9	-2.8	5.7	-0.3	-1.4	-3.4	0.8	-3.7	-2.2	0.8	1.3	0.2	:	-0.8
I	5.5	-1.6	-3.0	-3.2	3.1	1.8	-1.8	1.8	0.3	-0.7	1.3	2.8	-3.8	0.4	2.2	-3.3	3.5	3.9
L	-3.3	5.7	0.9	5.4	13.3	3.0	3.1	0.5	2.4	-2.5	-3.8	3.5	-2.1	-1.7	-1.0	4.1	:	7.0
NL	1.0	-2.0	-4.1	2.1	5.2	0.7	-2.0	6.7	-3.1	-1.3	2.0	1.9	-3.8	3.0	-3.8	1.0	7.9	9.3
P	5.4	0.5	4.6	1.6	-0.1	2.0	0.7	-1.5	4.4	:	0.7	-1.4	-1.3	-0.1	:	:	:	1.7
UK	-6.6	-3.4	1.9	3.6	1.3	0.4	0.9	2.7	1.8	0.2	0.1	-0.9	0.1	0.4	1.2	0	1.2	7.7
EUR10	-0.5	-2.3	-1.5	0.9	2.8	2.3	0.4	0.6	0.9	0.9	0.9	1.0	0.1	-0.4	1.2	(0.3)	(1.2)	(5.5)
USA	-2.9	2.1	-7.4	7.8	12.4	1.8	0.1	0.3	0.4	(0.9)	0	0.1	0.2	1.0	(-0.3)	(-0.3)	(0.5)	(1.6)
JAP	4.7	1.0	0.3	3.6	11.1	1.6	2.7	-0.7	2.7	-0.1	2.4	-2.0	1.7	-1.3	-1.1	1.0	(-1.1)	(0.2)

TABLE A.2: Unemployment rate — Number of unemployed as percentage of civilian labour force (s.a.)

	1981	1982	1983	1984	1985	1984		1985			1985							Change over 12 months % (b)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B (f)	11.1	13.0	14.3	14.4	13.4	14.4	14.4	13.7	13.0	12.7	13.4	13.1	13.0	12.9	12.8	12.6	12.7	:
DK	8.9	9.5	10.2	9.8	(8.7)	9.4	9.4	8.8	(8.6)	(7.9)	8.8	9.0	8.5	8.3	(8.1)	(7.9)	(7.7)	(-15.3)
D	4.8	6.9	8.4	8.5	8.5	8.2	8.5	8.5	8.5	8.4	8.5	8.5	8.5	8.5	8.5	8.4	8.3	0.9
F	7.7	8.7	8.8	9.9	10.3	10.4	10.5	10.4	10.4	10.2	10.4	10.4	10.5	10.3	10.3	10.3	10.1	-3.5
IRL	10.2	12.2	14.9	16.5	17.6	16.7	17.2	17.4	17.9	17.7	17.6	17.8	18.0	17.9	17.6	17.6	17.9	6.4
I	8.0	9.7	10.9	11.9	12.9	12.1	12.4	12.8	13.0	13.2	13.0	12.9	12.9	13.0	13.2	13.3	13.3	9.3
L	1.0	1.3	1.6	1.7	1.6	1.6	1.6	1.7	1.6	1.5	1.7	1.6	1.6	1.6	1.5	1.5	1.5	-5.1
NL (f)	8.8	11.8	14.3	14.5	13.2	13.8	13.5	13.2	13.1	12.7	13.0	13.1	13.2	13.0	12.8	12.7	12.6	:
UK	(9.2)	(10.6)	(11.6)	11.8	12.1	11.9	12.0	12.2	12.2	12.1	12.2	12.2	12.2	12.1	12.1	12.0	12.1	1.7
EUR9	(7.7)	(9.3)	(10.4)	10.9	(11.1)	10.9	11.1	11.2	11.2	(11.1)	11.2	11.2	11.2	11.1	(11.1)	(11.1)	(11.0)	(0.9)
USA	7.6	9.7	9.6	7.5	:	7.2	7.3	7.3	7.1	:	7.3	7.3	7.0	7.1	7.1	:	:	-0.9
JAP (g)	2.2	2.4	2.7	2.7	:	2.7	2.5	2.5	2.6	:	2.6	2.6	2.6	2.7	2.8	2.9	:	6.2

TABLE A.3: Consumer price index — Percentage change on preceding period

	1981	1982	1983	1984	1985	1984		1985			1985							Change over 12 months % (b)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B	7.6	8.7	7.7	6.4	4.9	0.9	1.8	1.3	0.7	0.2	0	0.5	0	0.2	-0.1	0.2	0	4.0
DK	11.7	10.1	6.9	6.3	4.7	1.4	1.3	1.5	-0.1	0.8	0	-0.4	-0.1	0.5	0.3	0.4	-0.1	3.6
D	6.3	5.3	3.3	2.4	2.5	0.7	1.1	0.6	-0.2	0.3	0.1	-0.2	-0.3	0.2	0.2	0.2	0.1	1.8
GR	24.5	21.0	20.5	18.3	19.4	5.5	4.5	4.5	2.6	9.7	1.8	-0.7	0.3	5.0	3.3	2.5	3.3	25.0
E	14.6	14.4	12.2	11.3	8.8	1.5	3.2	1.9	1.0	1.9	-0.2	0.6	0.2	1.1	0.4	0.8	0.4	8.1
F	13.4	11.8	9.6	7.3	7.4	1.4	1.4	1.8	0.9	0.6	0.4	0.4	0.1	0.1	0.3	0.2	0.1	4.7
IRL (h)	20.4	17.2	10.4	8.6	5.4	0.7	1.9	1.3	1.5	0.2	(0.5)	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	:	4.9
I	17.8	16.5	14.7	10.8	(9.2)	2.4	2.9	2.4	1.2	(2.2)	0.5	0.2	0.3	0.5	1.0	0.8	(0.7)	(9.0)
L	8.1	9.4	8.7	5.6	4.2	1.1	1.0	1.6	0.5	0.9	0.2	0.5	-0.4	0	0.8	0.2	0.2	4.1
NL	6.7	5.7	2.7	3.2	(3.6)	1.1	0.2	1.0	0	(0.6)	-0.1	-0.2	0	0.5	0.3	0	(-0.2)	(1.7)
P	20.0	22.7	25.1	28.1	19.6	3.1	8.0	3.4	1.1	3.0	0.1	0.3	0.8	0.1	1.0	1.6	1.7	16.8
UK	11.9	8.6	4.6	5.0	6.1	1.2	1.3	3.4	0.3	0.5	0.2	-0.2	0.3	-0.1	0.2	0.3	0.1	5.7
EUR12	12.1	10.7	8.4	7.1	(6.2)	1.5	1.9	1.9	0.6	(1.1)	0.2	0.1	0.1	0.4	0.4	0.4	(0.3)	(5.7)
USA	10.3	6.2	3.2	4.3	3.6	0.7	0.7	1.2	0.7	0.9	0.3	0.2	0.2	0.3	0.3	0.3	0.2	3.8
JAP	4.9	2.7	1.9	2.2	2.1	1.2	0.1	0.9	0	1.0	0.1	0.1	-1.0	1.0	1.4	-1.0	(0)	1.7

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months % (b)
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B/L	-4993	-5418	-3082	-2435	-4897	-1478	-1306	-1501	-581	-378	-114	-93	-191	-111	-77	-204	(-65)	(364)
DK	-2116	-1475	-1866	-740	-1108	-188	-204	-494	-306	-283	-216	69	-155	-110	-18	-195	(-77)	(-52)
D	3615	11239	21599	18501	24136	5614	8377	6589	8631	8278	3125	2799	3276	2413	3040	3235	(2968)	(107)
GR	3853	3951	-5826	-5800	-6048	-1146	-2073	-1727	-2341	-1621	-984	-890	-467	-590	-565	-513	:	(-74)
E	-9597	-10531	-11202	-10545	-6730	-2040	-1803	-2146	-2335	:	-664	-845	:	:	:	:	:	-636
F	16948	17283	24457	15628	-13130	-2450	-2736	-3810	-3028	-3535	-1240	-511	-1471	-993	-1070	-1029	(-916)	(-20)
IRL	-1893	-2467	-1574	-621	81	26	32	195	56	140	28	136	20	79	41	-45	(99)	(103)
I	-15307	-13554	-12513	-8516	-13849	-2230	-5148	-5505	-5911	-1589	-1763	-2102	-738	-609	-241	-853	:	443
NL	2981	1320	3500	4499	4740	589	1419	492	1234	944	182	383	470	219	255	189	:	-227
P	3409	-5308	-5963	-4226	3430	-880	-806	627	-718	:	-323	-265	-179	-204	:	:	:	107
UK	-3353	-445	-3295	-9681	-14005	-3876	-3930	-4514	-2272	-2494	-238	-960	-943	-779	-772	-709	(-1285)	(-339)
EUR10 (j)	-47829	-32033	-27515	20422	-24080	-5221	-6016	-10258	-4681	-182	-1326	-1144	-224	-547	589	-251	:	1784
USA	-26113	-35538	-43518	-77969	-156288	-46099	-38116	-47958	-52238	-45831	-17591	-18302	-13612	-12410	-19809	-13683	-16059	2359
JAP	-7707	7832	7034	23072	42599	9698	14810	13114	14354	14625	5126	5254	4790	5132	4753	4888	6877	1018

TABLE A.5: Money Stock (k) — Percentage change on preceding period (s.a.)

					1984		1985				1985							Change over				
					1981	1982	1983	1984	1985	IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	12 months % (b)
B	(M2)	5.8	5.7	8.7	5.7	:		0.2	3.2	1.1	0.8	:	:	:	:	:	:	:	:	:	:	5.4
DK	(M2)	9.6	11.5	25.5	17.8	15.8		6.2	0.1	4.0	4.3	6.5	1.8	1.2	2.0	1.1	0.2	0	6.4	15.8		
D	(M3)	5.0	7.1	5.3	4.7	5.0		1.4	1.0	1.4	0.7	1.9	0.8	0	0.3	0.4	0.4	0.1	1.4	5.0		
GR	(M3)	34.7	29.0	20.3	29.4	:		8.9	5.7	(7.9)	(6.1)	:	(1.3)	(2.2)	(2.3)	(1.4)	(1.7)	(0.9)	:	(27.4)		
E	(ALP)	17.0	16.6	15.9	13.2	:		3.1	4.0	4.1	1.8	:	1.7	0.2	0.5	1.2	0.9	0.7	:	13.2		
F	(M2R)	10.4	10.8	11.2	8.3	:		2.6	1.3	1.4	(2.5)	:	1.7	-0.1	1.0	1.6	(0.3)	(0.6)	:	(8.6)		
IRL	(M3)	17.4	13.0	5.6	10.1	5.3		2.3	1.4	1.0	1.6	1.2	-0.7	0	1.6	-0.1	0.8	1.0	-0.5	5.3		
I	(M2)	9.9	16.9	13.3	12.1	(10.9)		2.6	4.7	3.0	3.3	(1.5)	1.0	1.1	1.2	1.0	0.6	0.3	(0.6)	(10.9)		
NL	(M2)	5.3	7.6	10.4	7.7	:		1.0	3.7	0.4	1.9	:	-0.4	0.4	1.1	0.3	1.7	:	:	9.2		
P	(L)	23.8	23.9	16.1	23.9	(28.8)		6.0	6.1	5.6	(9.0)	(5.4)	1.5	(2.5)	(3.1)	(3.2)	(1.8)	(1.4)	(2.1)	(28.8)		
UK	(LM3)	13.7	8.9	10.3	9.8	15.6		3.0	2.2	5.8	2.9	3.4	2.4	-0.7	1.9	1.8	0.8	2.0	0.6	15.6		
EUR12	(1)	10.5	11.3	10.8	9.5	:		2.5	2.5	(2.8)	(2.3)	:	(1.3)	(0.2)	(1.0)	(1.1)	(0.6)	:	:	(9.4)		
USA	(M2)	10.0	9.4	11.7	8.2	8.1		2.7	2.4	1.8	2.2	1.4	1.1	0.7	0.9	0.6	0.2	0.6	0.6	8.1		
JAP	(M2)	11.0	7.9	7.3	7.8	:		0.8	3.5	1.4	1.0	:	1.6	-0.3	0.7	0.5	0.8	1.2	:	8.9		

TABLE A.6: Short-term interest rates (m)

						1984					1985					1985					1986		Change over 12 months % (e)
	1981	1982	1983	1984	1985																Jan.	Dec.	
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.							
B	15.6	14.1	10.5	11.5	9.6	10.7	10.7	8.9	9.4	9.8	8.9	9.6	9.4	8.9	8.6	9.8	9.8	-0.9					
DK	14.9	16.4	12.1	11.5	10.0	12.0	12.0	10.3	9.4	9.5	9.5	9.3	9.4	10.0	9.3	9.5	9.0	-2.4					
D	12.3	8.8	5.8	6.0	5.4	5.8	6.3	5.7	4.7	4.8	5.1	4.6	4.7	5.0	4.8	4.8	4.6	-1.4					
GR	16.8	20.2	19.4	15.7	17.1	16.8	19.3	16.6	16.5	17.9	16.4	17.9	16.5	17.3	19.5	17.9	19.0	4.1					
E	16.2	16.3	20.1	14.9	12.2	12.2	12.1	14.2	11.5	10.5	14.2	13.4	11.5	10.4	10.5	10.5	:	-1.7					
F	15.6	14.6	12.5	11.7	9.9	10.8	10.7	10.2	9.5	9.1	9.9	9.7	9.5	9.3	8.8	9.1	8.9	1.5					
IRL	16.6	17.5	14.1	13.3	11.9	15.0	13.9	11.6	10.1	11.7	10.2	10.3	10.1	10.1	10.4	11.7	15.1	0.4					
I	20.0	20.1	18.1	17.2	15.1	17.0	15.6	15.1	14.1	14.9	14.6	14.2	14.1	14.8	14.6	14.9	15.7	-0.7					
NL	11.8	8.3	5.7	6.1	6.4	5.7	6.9	6.7	5.8	5.8	6.1	5.7	5.8	6.2	5.9	5.8	5.8	-0.6					
P	16.0	16.8	20.9	22.5	21.0	22.5	21.7	21.4	22.3	18.0	23.0	19.7	22.3	21.0	19.1	18.0	:	-2.7					
UK	14.2	12.2	10.1	10.1	12.3	10.0	13.2	12.6	11.5	11.9	11.2	11.7	11.5	11.6	11.6	11.9	12.9	0.6					
EUR12 (n)	15.2	13.8	12.0	11.2	10.5	10.7	11.2	10.8	9.8	9.9	10.3	10.0	9.8	9.9	9.7	9.9	(10.1)	(-0.9)					
USA	14.0	10.6	8.7	9.5	7.5	7.8	8.2	6.8	7.3	7.2	7.3	7.4	7.3	7.4	7.4	7.2	7.2	-0.7					
JAP	7.4	6.9	6.4	6.1	6.6	6.3	6.3	6.3	6.4	7.7	6.3	6.4	6.4	7.8	7.9	7.7	6.1	-0.2					

TABLE A.7: Long-term interest rates (n)

	1984					1985					1985					Change over 12 months % (e)		
	1981	1982	1983	1984	1985	1984					1985					Dec. 12 months % (e)		
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.			Nov.
B	13.8	13.5	11.8	12.0	10.6	11.6	11.5	10.3	10.4	9.6	10.3	10.5	10.5	10.4	9.7	9.4	9.6	2.0
DK	19.3	20.5	14.4	14.0	11.6	14.0	13.0	11.8	11.1	9.9	11.8	10.6	10.5	11.1	10.7	10.5	9.9	4.1
D	10.4	9.0	7.9	7.8	6.9	7.0	7.6	6.9	6.3	6.5	6.9	6.7	6.4	6.3	6.5	6.6	6.5	0.5
GR	17.7	15.4	18.2	18.5	15.8	17.9	18.4	15.8	14.2	15.1	15.8	14.4	14.0	14.2	14.0	13.1	15.1	-2.8
E	15.8	16.0	16.9	16.5	13.4	13.9	13.5	13.8	13.9	12.3	13.8	14.5	14.4	13.9	12.6	12.1	12.3	-1.6
F	16.3	16.0	14.4	13.4	11.9	12.7	12.3	12.1	12.0	11.3	12.1	11.9	12.0	12.0	11.7	11.2	11.3	-1.4
IRL	17.2	17.0	13.9	14.6	12.7	14.9	13.6	12.4	11.9	11.8	12.4	11.2	11.7	11.9	11.8	12.1	11.8	-3.1
I	20.6	20.9	18.0	14.9	13.0	13.9	12.8	13.3	13.0	13.1	13.3	13.3	13.5	13.0	12.8	13.0	13.1	-0.8
L	8.6	10.4	9.8	10.3	9.5	10.0	9.7	9.6	9.3	9.3	9.6	9.4	9.4	9.3	9.3	9.3	9.3	-0.7
NL	12.2	10.5	8.8	8.6	7.8	7.8	8.6	7.8	7.4	7.5	7.8	7.7	7.3	7.4	7.7	7.6	7.5	-0.3
P	22.6	25.3	30.4	32.5	30.8	32.5	32.5	32.5	30.0	26.0	32.5	32.5	30.0	30.0	30.0	26.0	26.0	-6.5
UK	14.8	12.7	10.8	10.7	10.6	10.8	10.7	10.7	10.3	10.5	10.7	10.3	10.4	10.3	10.3	10.3	10.5	-0.3
EUR12 (n)	15.2	14.5	13.0	12.3	10.9	11.5	11.3	11.1	10.7	10.4	11.1	10.9	10.9	10.7	10.5	10.4	10.4	-1.1
USA	12.9	12.2	10.8	12.0	10.8	11.2	11.8	10.4	10.7	9.6	10.4	10.5	10.6	10.7	10.6	10.1	9.6	-1.6
JAP	8.4	8.3	7.8	7.3	6.5	6.5	6.8	6.6	5.8	5.8	6.6	6.6	6.2	5.8	6.6	6.4	5.8	-0.7

TABLE A.8: Value of ECU — 1 ECU = ... units of national currency or SDR

						1984		1985					1985					1986		Change
	1981	1982	1983	1984	1985											Jan.	12 months % (b)			
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.			Dec.		
BFR/LFR	41.29	44.68	45.44	45.44	44.91	45.01	44.66	45.12	45.13	44.74	45.30	45.05	45.04	44.82	44.67	44.73	44.51	0		
DKR	7.92	8.15	8.13	8.15	8.02	8.04	7.96	8.05	8.07	7.99	8.08	8.06	8.07	8.02	7.99	7.96	7.98	0.4		
DM	2.51	2.38	2.27	2.24	2.23	2.23	2.23	2.24	2.23	2.20	2.25	2.23	2.23	2.21	2.21	2.19	2.18	2.1		
DR	61.62	65.30	78.09	88.44	105.7	91.57	91.97	98.47	104.5	127.7	101.7	104.9	106.9	122.1	130.0	130.9	132.4	46.0		
PTA	102.7	107.6	127.5	126.6	129.1	124.7	123.1	126.4	131.0	135.8	129.7	130.9	132.4	135.2	135.9	136.2	136.3	10.8		
FF	6.04	6.43	6.77	6.87	6.80	6.84	6.81	6.83	6.81	6.73	6.84	6.80	6.79	6.74	6.73	6.71	6.68	1.9		
IRL	0.691	0.690	0.715	0.726	0.715	0.719	0.715	0.716	0.716	0.714	0.718	0.715	0.716	0.715	0.714	0.712	0.715	0.2		
LIT	1263	1324	1350	1381	1447	1382	1382	1430	1484	1494	1466	1493	1493	1493	1492	1496	1484	8.5		
HFL	2.78	2.62	2.54	2.52	2.51	2.52	2.52	2.53	2.51	2.48	2.53	2.50	2.50	2.49	2.49	2.47	2.45	2.3		
ESC	68.5	78.0	98.7	116.3	130.2	119.8	122.4	127.2	132.8	138.4	130.7	132.9	134.9	137.2	138.1	139.8	140.5	16.3		
UKL	0.553	0.561	0.587	0.591	0.589	0.601	0.614	0.578	0.570	0.595	0.560	0.576	0.576	0.588	0.592	0.604	0.626	0.6		
USD	1.116	0.981	0.890	0.789	0.762	0.731	0.684	0.726	0.785	0.853	0.772	0.798	0.785	0.837	0.852	0.873	0.891	27.0		
YEN	245.4	243.5	211.4	187.0	180.5	179.8	176.1	182.0	187.0	176.8	186.3	189.3	185.5	179.6	173.8	177.0	178.4	0.1		
DTS	0.946	0.888	0.833	0.767	0.749	0.732	0.707	0.732	0.764	0.791	0.757	0.772	0.763	0.785	0.788	0.801	0.812	12.8		

TABLE A.9: Effective exchange rates: export aspect (n) — Percentage change on preceding period

	1984																	1985					1985					1986		Change over 12 months % (b)
	1981	1982	1983	1984	1985	1984												1985					1986							
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.													
B/L	-5.8	-9.2	-2.8	-2.1	0.7	-0.3	0.1	0	1.0	1.6	0.5	0.9	-0.2	1.0	0.4	0.3	0.8	3.1												
DK	-7.5	-4.4	-0.6	-3.2	0.8	0.4	0.3	0	1.1	2.4	0.5	1.1	-0.5	1.6	0.5	1.1	0.4	4.3												
D	-5.6	5.0	4.0	-1.3	-0.2	-0.9	-0.7	1.0	2.1	2.9	0.9	2.0	0.4	1.8	0.3	1.5	1.4	8.4												
GR	-10.2	-8.0	-18.0	14.0	-12.5	4.2	-1.5	-4.9	-4.0	-17.2	-1.0	2.3	-2.3	-11.7	-6.0	0	-0.7	-27.7												
E	-9.6	6.0	-17.2	-2.2	0.6	0.4	0.3	-0.9	-1.8	-2.2	-0.2	-0.1	-1.5	-1.1	0.3	0.5	0.5	-4.6												
F	-8.8	-8.3	-7.2	-4.6	0.5	-0.8	-0.4	1.3	2.3	2.9	1.2	1.6	0.2	1.8	0.4	1.1	1.0	8.4												
IRL	-8.7	-1.1	-4.1	-4.0	0.6	0.4	0.1	-0.2	1.1	2.6	0.3	1.7	-0.5	1.7	0.4	1.3	0.8	4.8												
I	-12.4	-6.9	-3.8	-5.4	6.2	-1.5	-1.1	-1.9	-2.3	0.8	-1.4	-1.2	0.4	1.1	0.3	0.4	1.4	3.2												
NL	-4.3	5.1	2.1	-1.4	0.2	-0.6	0.8	0.7	1.9	2.3	0.7	1.7	-0.2	1.2	0.4	1.3	1.1	6.6												
P	-3.8	-12.9	21.1	-17.1	-10.9	-3.1	-2.9	-2.6	-2.9	-2.7	-0.9	-0.9	-1.8	0.7	0.5	0.5	0.1	-9.8												
UK	0.2	-4.4	-6.9	-4.6	0.2	-3.4	3.6	9.1	3.6	-2.7	3.8	-2.0	-0.4	1.0	0.3	-1.3	-3.1	6.6												
ECU	-14.7	-5.8	5.8	-8.0	-2.2	3.3	-2.7	4.4	4.1	2.9	2.6	1.8	-1.0	2.2	0.3	1.7	1.1	13.5												
USA	12.8	12.0	5.7	8.0	4.9	3.2	6.2	-3.4	-5.7	-6.8	-4.0	-2.2	1.3	-5.4	-1.7	-1.3	-1.3	-15.3												
JAP	13.6	-5.0	10.8	6.2	1.4	1.2	-0.6	0.4	1.1	11.0	0.3	0.2	1.4	6.8	4.6	-0.4	0.4	14.9												

Principal economic policy measures — January 1986

Community (EC)

None.

Belgium (B)

None.

Denmark (DK)

17.1 The Central Bank agrees with the private banking sector to reduce the permissible annual increase in private deposits from the present 10% to 9% from the second quarter 1986. As agreed last June one fifth of the deposits in excess of the above ceiling is paid into the Central Bank at a rate which from February will be 2% below the short term money market rate. The Central Bank also reiterates its recommendation to private banks not to expand consumer lending.

Federal Republic of Germany (D)

None.

Greece (GR)

10.1 The base for the indexation of wages for the first four months of 1986 is set at 4.5%, i.e. the anticipated increase of 8.5% in consumer prices for the first four months of 1986 less the effect of the 21.4% recorded increase in the prices of imported products in the last four months of 1985.

17.1 By decision of the Governor of the Bank of Greece, tour operators will have to collect and convert into drachmas the foreign currencies obtained in payment for their services within 45 days of completion of the services concerned.

23.1 As part of the liberalization of the market, a decision of the Minister for Trade lifts price controls on thirteen further categories of products, including beer, detergents, domestic electrical appliances, rice, preserves, etc. Only nineteen categories of products are still controlled.

Spain (E)

1.1 The system of VAT enters into force on 1 January 1986.

The minimum wage and minimum pensions are raised by 8% and 11% respectively with effect from the start of the year.

The monetary authorities set a target range (9.5% to 12.5%) for the increase in liquid assets in the hands of the public (PLA) in 1986. The central target is an increase of 11% (instead of 13% in 1985).

The Ministry for Economic Affairs and Finance regularizes foreign accounts in normal pesetas. From now on these accounts, together with convertible peseta accounts, will be the only ones which can be used for international transactions. The holders may not be resident in Spain and the balances may be used to cover the costs of staying in Spain and investments in Spain.

The Government increases subsidies for the building of public housing to offset the effect of the introduction of VAT which will have the effect of increasing building costs by 3 to 4%.

France (F)

2.1 The Social Security ceiling, which serves as a reference for the payment of certain social security contribution, and which was set at FF 9 060 on 1 July 1985, is raised to FF 9 220, representing an increase of 1.77% in six months and 5.6% in a year. Family allowances go up by 1.25%. They will be increased by a further 1.25% on 1 July. In order to encourage families to have a third child, the parent allowance goes up from FF 1 000 to FF 1 500 a month.

Retirement pensions are increased and State early retirement pensions paid to persons under 60 years of age by 1.3%. They will be raised by a further 1.1% on 1 July.

7.1 The State launches its first loan issue for 1986. This is a two-tranche, floating-rate loan, for an initial amount of FF 25 000 million, later to be increased to FF 32 000 million. For the whole of 1986, the Ministry for Economic Affairs intends to borrow FF 100 000 million on the bond market.

22.1 In order to maintain purchasing power in the public service, FF 560 in back-pay will be paid to all civil servants.

Ireland (IRL)

29.1 Budget 1986

The main features are:

— the targets for the Current Budget Deficit (CBD) and Exchequer Borrowing Requirement (EBR) are 7.4% and 11.8% of GNP respectively; the outturns for 1985 were 8.9% and 12.9%;

— total current expenditure is planned to rise by 5.6%. Capital expenditure by the Exchequer will fall by about 2% in real terms.

— total current revenue is planned to rise by 7.3%.

Italy (I)

2.1 The Government adopts a decree-law modifying personal income tax rates and allowances with a view to neutralizing, from 1986, inflation-induced fiscal drag. In comparison with 1985, the central government tax take will be LIT 5 250 000 million (0.7% of GDP) less in 1986, LIT 7 400 000 million less in 1987 and LIT 8 600 000 million less in 1988.

16.1 The monetary authorities adopt a package of measures aimed at defending the lira against the speculation of the last two months.

The measures adopted are the following:

— exporters are required to cover by borrowing in foreign currencies 75% of the payment credits granted to their customers;

— importers may not pay bills in advance;

— controls on bank credit are reintroduced for the first half of 1986; the stock of bank lending at the end of January is not to exceed by more than 8% the average level at end-September and end-October last year. For February and March, the permitted increase is 6% above the September and October levels, for April 7%, and for May and June 6%. Banks exceeding the limits will be obliged to lodge proportional, non-interest bearing deposits with the central bank;

— the interest rates on three- and six-month ordinary Treasury bills are increased by 1 and 0.60 percentage point respectively.

Luxembourg (L)

24.1 The Government raises the minimum wage by 3% with effect from 1 April. With effect from 1 March, family allowances will be increased by LFR 950 for households with two children and by LFR 1 225 for households with more than two children.

Netherlands (NL)

10.1 The Government determines its course of action on prices policy for 1986. As in 1985, no formal price controls are envisaged, and any problems will be resolved by consultation with the sectors concerned.

Portugal (P)

1.1 A national system of value added tax ('imposto sobre o valor acrescentado' (IVA)), containing a number of derogations, is introduced.

From 1 January 1986, the national minimum wage is increased by 17% and public service salaries and pensions by 16.5%.

Prior authorization is no longer required for direct investment of up to 1.5 million ECU (ESC 400 million) from other member countries; this amount will be increased by 300 000 ECU a year, and the system of prior authorization will be ended in 1990. In the meantime, for direct investment in excess of the current ceiling, the authorities will have to give a decision on each authorization application within two months; if they do not do so, the investment will be deemed to be authorized.

The policy of reducing the effective exchange rate of the escudo, at the rate of 1% a month, which has been followed since March 1983, is interrupted until April 1986.

The Government proposes a 1% cut in social security contributions for the 1986 financial year: 1/2% for employees and 1/2% for employers. At the same time it is decided to replace contributions to the Social Security Fund and the Unemployment Fund by a single social security contribution.

The Government decides that employers who recruit young unemployed people without a contract of definite length will qualify for temporary exemption from social security charges.

The maximum amount of 180-day Treasury Bills in circulation is raised by ESC 150 000 million to ESC 250 000 million.

United-Kingdom (UK)

15.1 The Government publishes its annual white paper on expenditure plans, covering the years 1986-87 to 1988-89. It provides a detailed analysis of the broad plans set out in last year's Autumn Statement. Total expenditure in 1986-87 is expected to be somewhat lower in volume terms than in 1985-86, but if the proceeds from privatisation (which are accounted for as negative expenditure) are excluded, the plans represent a small increase. Plans for the two subsequent financial years indicate that spending should be held roughly constant in real terms. It is expected that general government expenditure as a percentage of GDP should fall from 44.5% in 1985-86 to 41% in 1988-89. Broken down by department, the figures for spending on defence and education imply reductions in real terms, while there is a flattening of the upward trend in social security expenditure.

Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
'European Economy' (4 issues per year)	36.76	1 650	26.50	21.75	30	The annual subscription runs from 1 January to 31 December of each year.
Supplements						
Series A — 'Economic trends' (11 issues per year)	12.26	550	8.75	7.25	11	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
Series B — 'Business and consumer survey results' (11 issues per year)	16.71	750	12	10	14	
Complete series of supplements	27.85	1 250	20	16.50	23	These are surface mail rates; for air subscription rates please apply to the agents
Combined subscription — 'European Economy' and supplements	49.01	2 200	35	29	40	



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CB-AS-86-002-EN-C